

Congress of the United States
Washington, DC 20515

February 1, 2023

The Honorable Alexia Latortue
Assistant Secretary for International Trade and Development
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Assistant Secretary Latortue:

As the incoming Chairman of the House Financial Services Committee's Subcommittee on National Security, Illicit Finance, and International Financial Institutions, I look forward to working with you to strengthen U.S. governance at the multilateral development banks. As you know, the World Bank last month produced a "roadmap" that could lead to a dramatic overhaul of the Bank's mission, operations, and financing, which may require the Committee to consider authorizations for additional resources. While discussions surrounding the roadmap are ongoing, it is important that the Treasury Department engage with other World Bank shareholders so that expectations regarding Congress are realistic. I would therefore request your response to the following questions as the Committee monitors the roadmap's progress:

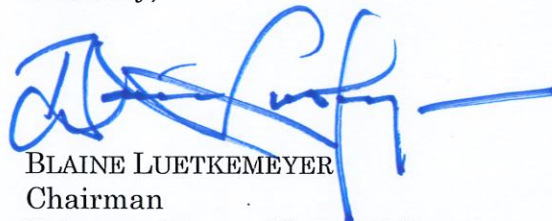
- The roadmap begins by announcing a "crisis of development," only to document a remarkable decline in global poverty in the 2000s, with clear income convergence in middle- and low-income countries. Why does the roadmap lack an analysis of the World Bank's contributions to this trend? How can the roadmap be confident that the Bank will address a "crisis of development" if it is not informed by the Bank's successes and failures in reducing poverty? If the roadmap attributes this crisis to "growing debt burdens," how would additional debt from the Bank resolve it?
- The Bank expects that most of the world's extreme poor will be concentrated in low-income countries by the end of the decade. This would appear to call for a renewed focus on the Bank's concessional lending window (IDA), not middle-income support (IBRD). Why should Congress consider a new scheme of below-market rate financing for IBRD countries, rather than a concerted push against extreme poverty?
- Despite the roadmap's discussion of global public goods (GPGs), it fails to address the Bank's record advancing public goods such as health and education. As you know, the Committee has been concerned by the Bank's lack of accountability in these areas, most recently through the International Finance Corporation's abandonment of proven education initiatives in Kenya. I am concerned that a GPG Fund at the Bank will join a laundry list of climate initiatives like the SCALE Fund and the IMF's Resilience and Sustainability Trust, all of which resist rigorous evaluation while encouraging mission creep at the expense of the world's poorest. In this context, the roadmap's insistence that concessional loans for middle-income countries will incur no tradeoffs for low-income assistance seems a sign of wishful thinking. Further, eligibility for countries like

China, Russia, and Argentina to receive taxpayer-backed subsidies is unacceptable. How will you address these problems with the Bank's shareholders?

- Under the roadmap, the Bank commits to consulting with "thought leaders," but is comparatively silent on asking elected officials in borrowing countries what their development needs are. Many of these countries – afflicted by poverty, infant mortality, and illiteracy – do not deem climate finance a top priority, especially when regions like sub-Saharan Africa account for less than four percent of global emissions. Why is the roadmap so unresponsive to borrowers' preferences, and how can the plan be credible when the Bank commits over \$1 billion per year to China, the world's largest polluter?
- With respect to balance sheet optimization and a potential capital increase for IBRD, Congress authorized what the Bank termed a "transformative" increase just three years ago. IDA too expanded its resources through market borrowing under the Obama Administration, and an IDA replenishment was expedited only last month in the omnibus appropriations bill. Why should the Committee now find the roadmap's concerns over resources credible?
- According to the roadmap, "The allocation systems for IBRD and IDA, which currently rely on criteria of needs (focused on poverty or income per capita), performance (reflecting expected impact and ability to implement), and capacity to pay (in terms of creditworthiness for access to IBRD, or in terms of debt sustainability for access to the more concessional terms of IDA) may need to evolve." This statement is deeply troubling. What would its implications be for Treasury's stewardship of taxpayer resources at the Bank?
- Would you agree that it makes little sense for Treasury to commit to callable capital levels that ignore the realities of congressional appropriations, if capital were called?
- The Committee has previously expressed concerns over staff incentives at the Bank that do not prioritize poverty reduction, as well as a hiring process that favors insiders over a broader search for the best talent. How can the U.S. have confidence in the roadmap's appeal for "increased staffing and budget resources" under a revised Bank mission?

I appreciate your prompt response. Please contact Lucas West (202-225-2956) in my office or Anthony Chang (202-225-7502) from the Committee staff with any questions.

Sincerely,



BLAINE LUETKEMEYER
Chairman
Subcommittee on National Security,
Illicit Finance, and International Financial Institutions